

## Critical but Neglected - Trust in International Business

How to upgrade business relationships in a complex environment ?



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To what extent, really, can the 'other party' be trusted? This dilemma is troubling, at least to some degree, most business people. Trust, everyone will say, almost instantly, is the key for business success. Granting credit terms, delivery time promises or sharing valuable trade secrets, are just few examples where one side put its trust on the other side's reliability. The willingness to act in a situation which brings vulnerability to the acting party - is where trust is required. As Stephan Covey put very eloquently in his book "Speed of Trust" - trust means confidence, while mistrust means suspicion.

Any business activity, by nature, is shrouded in some uncertainty, as many business people are required to take quite few decisions without having all information required. Yet, the wheels of the business machine must continue spinning. Therefore, trust, or rather mistrust, accompanies business people, managers, as well as employees, at their daily activities. This applies whether they are positioned at the customer side, the supplier side, or at any point in between. Each side is required to trust and rely on the other side's commitments, while at the same time try and earn the other side's trust.

It is here where business risk lies, as there is always some chance that the other side will not (for whatever reason) keep its promises in full. Indeed, it is true that for some critically important decisions, risk can be mitigated, or hedged for, by exercising various business measures. Still, for most routine daily business decisions, it is just not practical. Therefore, left with no other choice, managers must rely on the trustworthiness of the other side - otherwise the business will be jammed.

Business stalemate is something everyone wants to avoid, for sure. Miscommunications, slow response, delays in information transfer and in decision making, unnecessary conflicts and reluctance to cooperate, are some of the characteristic of 'low trust' business relationship. Clearly, all of these symptoms significantly effect business performance, and can eventually dissolve completely the business relationship between sides.

Yet, even when everyone agrees about how important trust is for business success, it is very rare for business people to act, consciously, towards boosting trust level between the parties. Trust seems to be somewhat elusive. Only few will admit, or even hint, that they do not believe their business partners, or even more so - having difficulties winning their trust. The point is that in order to achieve high level of trust, one must not only be aware, but also to put in some intentional efforts.

When it comes to business in the international context, trust becomes even more critical and the effort required to build it, towards a long lasting relationships, becomes even greater. The international business environment is very complex and, as such, it entails high level of uncertainty and risk. High trust level significantly lowers the perceived risk, reducing the time and cost of negotiations, and amplifies the ability to motivate the other side to take a desired action.

In this case, cultural gaps play a crucial role in the trust building process, so the challenge can not be underestimated. For example, cross-cultural communications are not fluent, therefore even a simple statement can be perceived by the other side as unclear, or even anomalous. Such incidents can put a dent in the trust between the parties, even if there is no real justification for it.

It is interesting to note that there are significant differences, between countries, in the level of trust people put in others, especially in foreign nationals. For example, according to WVS studies, in the USA and in France there is a stronger tendency to trust people from other countries, comparing to China or Thailand. This means that in certain countries more effort will be required in order to build trust with local business partners for example. It is definitely not trivial to build trust in the context of cross-cultural business relationship, especially for business people who operate simultaneously in different countries and cultures.

The ultimate questions is - what can be done? how one should act in order to develop trust within cross cultural business relationship? The answer lies within the two entangled sides of the “trust equilibrium”: better understanding of the other side, while at the same time, behaving in a trust building manner.

Understanding the other side is key for preventing any misunderstandings, which may lead to developing a negative feedback loop. Misunderstanding may result in a reaction, at the other side, reflecting mistrust, which in turn further reduce the trust level between sides. Sort of a self fulfilling prophesy. This is a common problem which can easily occur, especially during the first phases of the relationship, where trust is not very developed and sensitivity is at its highest.



It is quite important to try and understand some of the basic values underpinning the business culture at the other side. Communication style, perception of time, acceptance of uncertainty, decision making, negotiation and leadership styles - are few domains which one better know about, prior to doing business in a specific country. As reading materials or workshops are readily available these days, spending relatively short time, it is quite easy to get some basic insights about the characteristics of almost any world culture.

Unfortunately cultural generalisations are not enough. It is quite important to try not clinging onto any unfounded stereotypes, which might actually cripple, rather than encourage, the trust building process, especially during its early stages. Therefore it is advisable to try and understand the unique characteristics of the specific partner, with whom trust is to be built. Clearly for this to be achieved a certain effort is required. Active listening during face to face personal interaction could contribute a lot towards understanding the other side. At the same time, without underestimating the importance of technology, 'shorthand style' e-mails or fragmented internet phone conversations are not helping in smoothing things out.

In addition, from time to time, it can be useful to try and gauge the overall level of trust between sides. This can be achieved by exercising a small test or by trying to analyse a specific case during which an unexplained suspiciousness has been felt. Not simple but possible. Such an approach also helps in identifying real trust issues, so precautions can be exercised where really necessary. With time, cultural sensitivity rises, suspicions are lessening so trust is gradually building up.

The second part of the 'Trust Equilibrium' includes a proactive behavior towards the other side. This means initiation trust building activities, and avoiding trust shaking behaviors. Such activity must take into account the cultural context, as well as the personal context of the relationship, according to insights developed over time. A basic approach worthwhile adopting is a one which put emphasis on amplifying self reliability and credibility. Stephan Covey in "The Speed of Trust" listed 4 key elements to enhance credibility: Integrity, intent, capabilities and results. This means we need to take actions which are in line with our believes, and are according to our values. We need to have our motives apparent, and to act with real intent to benefit the other side. In addition we need to utilize the best of our capabilities and skills in order to achieve the best possible results according to the other side's expectations. In most cultures greater emphasis will be put on actions rather than words, so consistency with this approach will demonstrate the importance we place on the relationships and in most cases will be reciprocated.



Indeed, it is quite difficult to develop high level of trust quickly, especially if the other side bears some 'scars' from previous intercultural 'business encounters'. Therefore it is highly recommended to put some thought, and time, in trust building activities. Specifically to try and maximize 'moments of truth' when trust is being tested in real time. It is worthwhile remembering that trust which was gained through much efforts and time, could, rather quickly, deteriorate. Therefore, according to the above mentioned approach, it is highly advisable to refrain from any behaviors which might be perceived by the other side as unclear, faulty or peculiar to such an extent which will dent the trust built. Business opportunism for instance is a proven method for ruining trust. Short term profits may very well be translated into long term, much more substantial, losses.

The above approach can be translated into some practical recommendations, which possibly may apply in many business situations and cultural contexts:

- Personal acquaintance - various 'go-betweens', or mediators, can definitely help, especially at the first stage. However, there is absolutely no replacement for on-going, direct contact at different circumstances, not necessarily formal.
- Clarity and transparency - simple and clear communication about intentions and plans, based on visible reasoning has a tremendous positive effect. Even in a 'high-context' culture, where indirect communication is used, vague and inconsistent messages raise significant hurdles during the trust building process.
- Respect others, and yourself - respect in various shapes and forms is important to everyone in every culture. 'What is hateful to you do not do to your fellow' (a statement by Hillel the Elder, a Jewish leader from the 1<sup>st</sup> century B.C.) is a very applicable guideline even today. Expressing appreciation and 'saving face' towards a business partner can bring the relationship a long way ahead.
- Keeping commitments - deliver, on time, what you have promised, no less. Actually try to deliver a bit more. Not sure if possible to keep the promise? Just do not make it. Easier to fall into empty promises, and much more difficult to get out of them. Better to avoid them from the outset, at any cost.
- Taking responsibility - mistakes and mishaps do happen in business, it's a fact. Dealing honestly with the issues at hand, taking responsibility for solving the problem, will definitely be appreciated. Evasiveness or 'shifting' the problem to someone else, is a mistake (to say the least) even in a non-confrontational cultures.



Clearly, the above recommendations are hardly enough, as cross-cultural trust building is an acquired skill, not to say art, developed over time. The conclusion is quite simple - trust must be taken seriously, taking into account cultural gaps, and acting proactively in order to root it into the relationship. A relationship based on high level of trust, is a valuable business asset, one that may contribute to the sustainability of a competitive advantage, and of course has its positive impact on the company's bottom line.

Notes:

Covey, S.M.R. and Merrill, R.R. (2008) *The Speed of Trust: The One Thing that Changes Everything*. US: Free Press.

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